

Message Text

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ORIGIN EB-08

INFO OCT-01 EA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 DOE-11 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 XMB-02 PA-01 /120 R

DRAFTED BY EB/ORF/FSE:WCRAMSAY:CJR
APPROVED BY EB - MR. KATZ
EB/ORF/FSE:GARSEN
TREASURY:AHAMILTON (PHONE)
EXIMBANK:JLANGE (PHONE)
EA/J:DBROWN
EB/IFD/ODF:TPARKER
EOE/IA:PBORRE (SUBS)
EB/ORF:SWBOSWORTH

-----113474 220722Z /21

R 220232Z FEB 78
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 045267

E.O. 11652: GDS

TAGS: ENRG, JA, US

SUBJECT: JAPANESE INVESTMENT ON COAL GASIFICATION

1. THE FOLLOWING COMMENTS ARE FOR YOUR GUIDANCE IN
REPLYING TO QUESTIONS RAISED REFTEL.

2. WE DO NOT CONSIDER OUR COMMENTS TO THE GOJ ON THE
NORTH DAKOTA COAL GASIFICATION PROJECT AS A USG REQUEST
FOR JAPANESE FINANCIAL SUPPORT FOR THE PROJECT. WE
HAVE SIMPLY INDICATED THAT AS A MATTER OF GENERAL
ENERGY POLICY WE FAVOR PRIVATE INVESTMENTS SUCH AS THIS
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PROJECT THAT WILL ADVANCE THE STATE OF THE ART IN COAL CON-
VERSION AND COULD LEAD TO AN IMPORTANT ADDITIONAL SOURCE
OF ENERGY. HOWEVER, WE DO NOT INTEND TO ASSUME THE
ROLE OF SCREENING PROSPECTIVE REQUESTS FOR FOREIGN
FINANCING NOR OF SUPPORTING PARTICULAR PROJECTS OVER
OTHERS. WE BELIEVE THAT THE POTENTIAL PARTICIPANTS IN
THIS PROJECT MUST DECIDE ON THE BASIS OF THEIR OWN

JUDGMENT OF ALL THE RELEVANT FACTORS. FYI: WE ARE AWARE OF ONLY ONE ACTIVE COAL CONVERSION PROJECT IN WHICH JAPANESE FIRMS HAVE EXPRESSED AN INTEREST, NAMELY THE DOLS 400 MILLION EXXON PROJECT IN TEXAS. JAPANESE INTEREST IN THIS PROJECT COULD BE ON THE ORDER OF DOLS 50 MILLION, ALTHOUGH RECENTLY THE OTHER

PARTICIPANTS, I.E., THE USG, THE ELECTRIC POWER RESEARCH INSTITUTE AND EXXON HAVE INDICATED THAT THEY MAY BE PREPARED TO UNDERTAKE THE PROJECT ON THEIR OWN. ANOTHER RUMORED EXPRESSION OF JAPANESE INTEREST CONCERNED THE POSSIBILITY OF COAL CONVERSION FACILITIES AT THE BELUGA COAL FIELDS IN ALASKA FOR THE PRODUCTION OF HYDROCARBONS FOR THE JAPANESE MARKET. TO OUR KNOWLEDGE THERE IS CURRENTLY NO ACTIVE PURSUIT OF THIS SCHEME. END FYI.

3. WITHOUT KNOWING THE DETAILS, WE FIND IT DIFFICULT TO DETERMINE WHETHER A PARTICULAR FINANCING ARRANGEMENT WOULD BE CONSISTENT WITH THE LETTER AND/OR SPIRIT OF THE EXPORT CREDIT CONSENSUS. IN SO FAR AS THE ARRANGE-

MENT WERE ASSOCIATED WITH JAPANESE EXPORTS, PRESUMABLY IT WOULD BE COVERED BY THE CONSENSUS AND THE LIMITATIONS ON FINANCING OF RELATED LOCAL COSTS WOULD APPLY. IF FINANCING WERE NOT TIED TO JAPANESE EXPORTS, HOWEVER, CONFIDENTIAL

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OR INVOLVED IN EQUITY INTEREST, IT IS CONCEIVABLE THAT THE CONSENSUS WOULD NOT BE VIOLATED.

4. WE UNDERSTAND THAT PARTNERS IN THE PROJECT HAVE CONTACTED OTHER, NON-JAPANESE INTERESTS FOR POSSIBLE FINANCIAL INVOLVEMENT. WE DO NOT HAVE DETAILED INFORMATION ON WHO MAY HAVE BEEN CONTACTED. VANCE

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